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# **COSTS and RETURNS**



**Commercial  
Tobacco-  
Livestock  
Farms**

**Bluegrass Area,  
Kentucky**

**1962**

This report is part of a continuing nationwide study of costs and returns on farms and ranches by type and size in some of the important farming regions of the United States, conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

Publications in this series are:

- Costs and Returns, Commercial Dairy Farms, Northeast and Midwest, 1962
- Costs and Returns, Commercial Corn Belt Farms, 1962
- Costs and Returns, Commercial Egg-Producing Farms, New Jersey, 1962
- Costs and Returns, Commercial Broiler Farms, Delmarva, and Maine, 1962
- Costs and Returns, Commercial Cotton Farms, 1962
- Costs and Returns, Commercial Tobacco Farms, Coastal Plain, North Carolina, 1962
- Costs and Returns, Commercial Tobacco-Livestock Farms, Bluegrass Area, Kentucky, 1962
- Costs and Returns, Commercial Wheat Farms, Plains and Pacific Northwest, 1962
- Costs and Returns, Western Livestock Ranches, 1962

Summary statistics for all types of farms in the series are presented in the annual report, Farm Costs and Returns, Commercial Farms, by Type, Size, and Location, Agriculture Information Bulletin No. 230, Revised, 1963. In this annual report, information is given for 1962 and comparisons with 1961 and 1960 and the period 1957-59.

## Costs and Returns

### Commercial Tobacco-Livestock Farms, Bluegrass Area, Kentucky, 1962

Owen K. Shugars and John H. Bondurant<sup>1</sup>

This report presents costs and returns for three important types of tobacco-livestock farms in the Bluegrass Area of Kentucky: (1) tobacco-livestock farms in the Inner Bluegrass Area; (2) tobacco-dairy farms in the Intermediate Bluegrass Area; and (3) tobacco-dairy farms in the Outer Bluegrass Area (fig. 1).

The farms studied are typical of farms of a common type and size in their respective areas (table 1 and fig. 2). In all three areas, burley tobacco is produced in combination with one or more livestock enterprises. The typical farms in the Inner Area produce beef cattle (cow-calf plan), sheep, and hogs. The majority of the tobacco-dairy farms in the Intermediate Area sell ungraded milk to manufacturing plants; typical farms in the Outer Area sell grade-A milk.

Net farm income was higher in 1962 than in the previous year on typical farms in the Inner and Outer Bluegrass Areas and slightly lower on farms in the Intermediate Area (table 2). Production per farm increased on all three farm types. Higher production in 1962 compared with a year earlier more than offset lower average prices received and higher operating expenses on the farms in the Inner and Outer Areas. But on tobacco-dairy farms in the Intermediate Area, the dollar increase in operating expenses was more than the increase in gross farm income.

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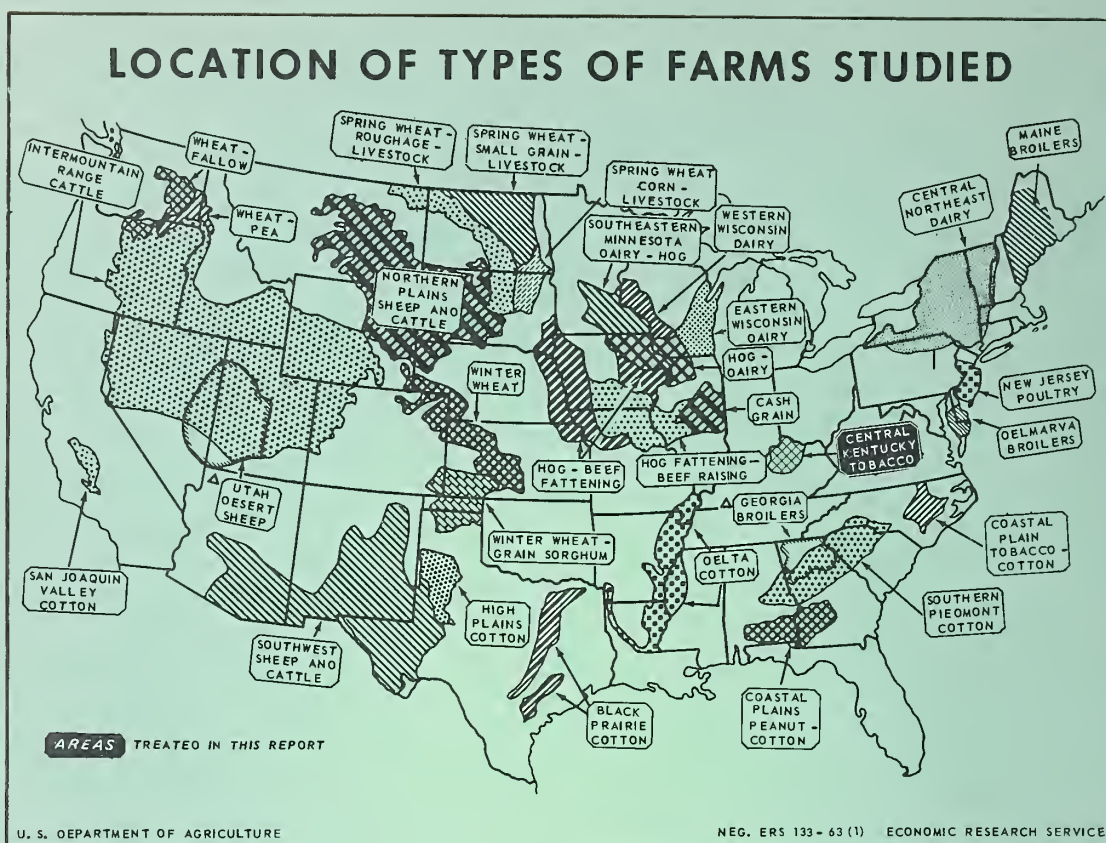


Figure 1

Below-normal rainfall in mid-summer 1962 delayed tobacco growth and decreased hay and pasture production. But farm production was greater than in 1961 because of larger tobacco acreages per farm, higher per-acre yields of corn and tobacco, larger numbers of beef and dairy cows, and increased milk production per cow. Burley tobacco acreage allotments were increased 6 percent in 1962 for the second consecutive year and the average yield per acre was record high. Cow numbers per farm increased in the Inner and Outer areas. Milk production per cow was greater than in 1961 on the tobacco-dairy farms.

Prices received for products sold in 1962 averaged lower than in 1961 in all three areas largely because of lower prices received for tobacco. Quality of tobacco was lower in 1962. On the tobacco-dairy farms, the average price received for milk in 1962 was less than in 1961.

The overall average of prices paid for goods and services used in production was record high in 1962. The quantity of production inputs used increased in 1962 on typical farms in the Inner and Intermediate areas. Operating expenses were higher than in the previous year on all three farm types.

Table 1.- Size, organization, and production, tobacco-livestock farms, Bluegrass Area, Kentucky, 1961 and 1962

Item	Unit	Tobacco-livestock farms, :			Tobacco-dairy farms, :			Tobacco-dairy farms, :		
		Inner Bluegrass Area			Intermediate Bluegrass Area			Outer Bluegrass Area		
		1961	1962	1961	1961	1962	1961	1961	1962	1961
Land in farm.....	Acre	214	216	114	115	132	132	132	132	132
Cropland harvested.....	do.	60.3	55.6	24.4	23.7	42.2	42.2	40.9	40.9	40.9
Crops harvested:										
Tobacco.....	do.	7.8	8.3	2.3	2.4	3.1	3.1	3.3	3.3	3.3
Corn for grain.....	do.	11.1	11.0	6.5	5.7	8.0	8.0	7.3	7.3	7.3
Corn for silage.....	do.	---	---	---	---	4.7	4.7	4.7	4.7	4.7
Small grains.....	do.	5.8	3.0	---	---	2.8	2.8	2.0	2.0	2.0
Alfalfa.....	do.	18.0	18.0	8.9	8.9	11.5	11.5	12.0	12.0	12.0
Other hay.....	do.	17.6	15.3	6.7	6.7	12.1	12.1	11.6	11.6	11.6
Crop yields per harvested acre:										
Tobacco.....	Pound	1,720	1,908	1,605	1,785	1,705	1,705	1,902	1,902	1,902
Corn for grain.....	Bushel	69	73	60	64	66	66	77	77	77
Corn for silage.....	Ton	---	---	---	---	12.0	12.0	14.4	14.4	14.4
Wheat.....	Bushel	29	28	---	---	27	27	26	26	26
Alfalfa.....	Ton	2.5	2.5	2.3	2.0	2.6	2.6	2.5	2.5	2.5
Other hay.....	do.	1.5	1.5	1.4	1.6	1.5	1.5	1.4	1.4	1.4
Livestock on farm, Jan. 1:										
Beef cows.....	Number	28.0	30.5	---	---	---	---	---	---	---
Milk cows.....	do.	---	---	10.2	10.2	16.6	16.6	17.3	17.3	17.3
Brood sows.....	do.	2.8	2.8	---	---	1.4	1.4	1.3	1.3	1.3
Ewes.....	do.	58.5	52.4	---	---	---	---	---	---	---
Milk production per cow.....	Pound	---	---	5,980	6,100	6,940	6,940	7,080	7,080	7,080
Total farm capital, Jan. 1.....	Dollar	100,170	102,960	22,170	22,730	41,250	41,250	42,720	42,720	42,720
Land and buildings.....	do.	86,240	88,560	15,620	16,100	30,230	30,230	31,020	31,020	31,020
Machinery and equipment.....	do.	5,180	5,300	3,000	2,990	5,430	5,430	5,590	5,590	5,590
Livestock.....	do.	6,750	7,190	2,680	2,770	4,410	4,410	4,700	4,700	4,700
Crops.....	do.	2,000	1,910	870	870	1,180	1,180	1,410	1,410	1,410
Total labor used.....	Hour	4,680	4,870	3,510	3,590	4,690	4,690	4,800	4,800	4,800

1/ Preliminary.

Table 2.- Income, costs, and related data, tobacco-livestock farms,  
Bluegrass Area, Kentucky, 1961 and 1962

Item	Unit	Tobacco-livestock farms, Inner Bluegrass Area				Tobacco-dairy farms, Intermediate Bluegrass Area				Outer Bluegrass Area	
		1961	1962	1/		1961	1962	1/		1961	1962 1/
Gross farm income.....	Dollar	15,916	16,825			5,495	5,509			10,757	11,228
Operating expenses.....	do.	8,475	9,173			2,585	2,704			5,631	5,704
Net farm income.....	do.	7,441	7,652			2,910	2,805			5,126	5,524
INDEX NUMBERS (1957-59=100):											
Net farm income.....	---	105	108			116	112			113	121
Net farm production.....	---	105	114			107	114			111	125
Operating expense per unit of production.....	---	108	105			101	99			108	98
Production per unit of input.....	---	98	104			105	110			102	112
Prices received for products sold.....	---	101	96			104	96			103	97
Prices paid, including wages to hired labor.....	---	102	104			104	104			104	106

1/ Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.



## Location of Types of Farms Studied



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## Tobacco-Livestock Farms, Inner Bluegrass Area

Prices received for sheep, lambs, and wool were higher than in 1961.

Operating expenses were higher than in 1961 because of increased use of production inputs and higher average prices paid. The larger tobacco acreage required more inputs of labor, fertilizer, machinery, and chemical materials. More livestock was fed than in 1961 and

Table 3.- Gross farm income, tobacco-livestock farms,  
Bluegrass Area, Kentucky, 1961 and 1962

Item	Tobacco-livestock farms, Inner Bluegrass Area		Tobacco-dairy farms, Intermediate Bluegrass Area		Tobacco-dairy farms, Outer Bluegrass Area	
	1961	1962 1/	1961	1962 1/	1961	1962 1/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Total cash receipts.....	14,313	14,903	4,854	4,933	9,493	9,930
Tobacco.....	9,021	9,435	2,481	2,528	3,549	3,718
Cattle and calves.....	3,056	3,289	625	653	948	986
Hogs and pigs.....	832	769	---	---	391	396
Sheep, lambs, and wool.....	1,105	1,136	---	---	---	---
Dairy products.....	---	---	1,612	1,620	4,505	4,741
Other, including Government payments.....	299	274	136	132	100	89
Value of perquisites.....	1,409	1,438	600	607	886	897
Change in inventory, crops and livestock.....	194	484	41	-31	378	401
Gross farm income.....	15,916	16,825	5,495	5,509	10,757	11,228

1/ Preliminary.

Table 4.- Operating expenses, tobacco-livestock farms,  
Bluegrass Area, Kentucky, 1961 and 1962

Item	Tobacco-livestock farms, Inner Bluegrass Area		Tobacco-dairy farms, Intermediate Bluegrass Area		Tobacco-dairy farms, Outer Bluegrass Area	
	1961	1962 1/	1961	1962 1/	1961	1962 1/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Total cash expenditures.....	8,473	9,177	2,524	2,619	5,741	5,811
Feed purchased.....	667	1,098	155	228	1,115	973
Livestock purchased.....	917	960	22	22	---	---
Other livestock expense.....	193	188	80	81	176	182
Fertilizer and lime.....	712	736	277	292	404	425
Other crop expense.....	481	505	138	154	232	245
Machinery.....	1,927	1,936	1,132	1,110	2,126	2,210
Farm buildings and fences.....	840	830	227	221	596	550
Labor hired.....	1,730	1,875	156	161	521	630
Taxes.....	466	478	111	115	204	210
Other.....	540	571	226	235	367	386
Change in inventory, machinery and buildings.....	2	-4	61	85	-110	-107
Total operating expenses.....	8,475	9,173	2,585	2,704	5,631	5,704

1/ Preliminary.

purchases of feed increased about \$430 per farm in 1962. Part of this increase was due to a decline in the acreage and production of small grains for feed. Some of the inputs used in larger quantities in 1962 also increased in price. Prices paid for machinery, some feeds, seeds and fertilizer materials, and wage rates for hired labor were a little higher than in the previous year. Prices paid for production goods and services averaged nearly 2 percent higher than in 1961.

#### Tobacco-Dairy Farms, Intermediate Bluegrass Area

Net farm income in 1962 on tobacco-dairy farms in the Intermediate Bluegrass Area was estimated to be \$2,805, almost 4 percent less than in 1961. Gross income was a little higher in 1962, but operating expenses were up more than 4 percent.

Increased use of production inputs was responsible for the higher operating expenses. The average of prices paid for goods and services was unchanged from the record high in 1961. More feed was needed in 1962, as feeding rates increased. Production of grain per farm was below that in 1961 because of a reduction in corn acreage, and the quantity of feed purchased increased in 1962. More inputs of labor, fertilizer, and chemical materials were needed for the larger tobacco acreage.

The yield per acre of tobacco was record high in 1962 on these farms, and with an increase in acreage of tobacco, production per farm exceeded output in the previous year by 592 pounds. Despite a decrease of \$8.18 per hundred pounds

of tobacco, cash receipts from tobacco increased in 1962. Milk prices averaged \$3.04 per hundred pounds in 1962, a decline of 13 cents from a year earlier. The average number of cows milked in 1962 was the same as in the previous year. However, production per cow was higher and milk production per farm increased enough to offset the lower price. The average of prices received for all products sold on these farms was nearly 8 percent below the average for 1961.

#### Tobacco-Dairy Farms, Outer Bluegrass Area

Net farm income on tobacco-dairy farms in the Outer Bluegrass Area averaged about \$5,524 per farm in 1962. This is an increase of 8 percent from the previous year. Greater farm production was chiefly responsible for the higher income.

Production of tobacco per farm increased by 991 pounds in 1962 due to an increase in yield per acre and a larger acreage harvested. The increase in production more than offset a drop of \$7.90 per hundred pounds in the average price received for tobacco. Increased milk production per farm in 1962 also offset lower prices received for milk. Milk prices averaged \$4.27 per hundredweight in 1962, a decline of 8 cents, but milk production per cow and the number of cows per farm were greater than in 1961.

Operating expenses were higher than in 1961 because of higher average prices paid for production inputs. The quantity of inputs purchased declined slightly in 1962 because of smaller acreages of corn and small grains.

Higher crop yields and increased milk production per cow were reflected in measures of efficiency on these farms in 1962. The index, 1957-59 = 100, of production per unit of input (production and cost at

constant prices) was 112 in 1962, record high and an increase of 10 percent from the previous year. Operating expense per unit of production was only a little below the 1957-59 average but 9 percent below 1961.





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